

Maple Valley Schools

Vermontville, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

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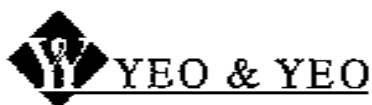
Maple Valley Schools
Members of the Board of Education and Administration
June 30, 2008

Members of the Board of Education

Jerry Sessions	President
Wayne Curtis	Vice President
Teresa Allen	Treasurer
Andrea Montgomery	Secretary
Tim Burd	Trustee
April Heinze	Trustee
Kevin Rost	Trustee

Administration

Kim Kramer	Superintendent
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Independent Auditors' Report

To the Board of Education
Maple Valley Schools
Vernontville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maple Valley Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Maple Valley Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Valley Schools as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2008, on our consideration of Maple Valley Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maple Valley Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
October 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

This section of the 2008 annual financial report presents our discussion and analysis of Maple Valley School District's (the "School District") financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Maple Valley Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

Reporting the School District as a Whole – District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation format in the financial section.

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

The School District as Trustee-Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007.

TABLE 1		<u>Governmental Activities</u> (in millions)				<u>Governmental Activities</u> (in millions)	
		<u>2008</u>	<u>2007</u>			<u>2008</u>	<u>2007</u>
Assets				Net Assets			
Current and other assets	\$	4.1	\$	4.2	Invested in property and equipment -		
Capital assets		<u>9.7</u>		<u>9.7</u>	net of related debt	3.3	3.7
Total assets		<u>13.8</u>		<u>13.9</u>	Restricted	0.2	0.2
					Unrestricted	<u>2.2</u>	<u>2.4</u>
Liabilities				Total net assets		<u>\$</u>	<u>\$</u>
Current liabilities		1.5		1.1		5.7	6.3
Long-term liabilities		<u>6.6</u>		<u>6.5</u>			
Total liabilities		<u>8.1</u>		<u>7.6</u>			

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below (see TABLE 2). The School District's net assets were \$5.7 million at June 30, 2008 compared to \$6.3 million at June 30, 2007. Capital assets, net of related debt totaled \$3.3 million and \$3.7 million at June 30, 2008 and 2007, respectively. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$0.2 million at June 30, 2008 and 2007, are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$2.2 million and \$2.4 million at June 30, 2008 and 2007, respectively, was unrestricted.

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

The \$2.2 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past year's operations. It means that if all bills had to be paid today, including all noncapital liabilities, there would be \$2.2 million left. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Maple Valley School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal year 2008 and 2007 (TABLE 2).

TABLE 2

	<u>Governmental Activities</u> (in millions)			<u>Governmental Activities</u> (in millions)	
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Revenue			Functions/Program Expenses		
Program revenue			Instruction	8.4	8.8
Charges for services	\$ 0.3	\$ 0.3	Support services	4.7	4.9
Operating grants	2.3	2.2	Food services	0.7	0.6
General revenue			Athletics	0.3	0.3
Property taxes	1.1	1.0	Community services	0.1	-
State foundation allowance	10.5	11.0	Interest on long-term debt	0.3	0.3
Other	<u>0.1</u>	<u>0.2</u>	Depreciation (unallocated)	<u>0.4</u>	<u>0.4</u>
Total revenue	<u>14.3</u>	<u>14.7</u>	Total expenses	<u>14.9</u>	<u>15.3</u>
			Deficiency of revenues over expenditures	(0.6)	(0.6)
			Extraordinary item	<u>-</u>	<u>0.1</u>
			Decrease in net assets	<u>\$ (0.6)</u>	<u>\$ (0.5)</u>

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

As reported in the statement of activities, the cost of all of our governmental activities this year was \$14.9 million. Certain activities were partially funded from those who benefited from the programs (\$0.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$1.1 million in taxes, \$10.5 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements. Total revenues in 2007-2008 were \$14.3 million, compared to \$14.7 million in 2006-2007.

The School District experienced a decrease in net assets of \$0.6 million primarily as a result of ongoing operations in the School District and the loss of students. As discussed above, the net cost shows the financial burden that was placed on the State and the Maple Valley School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$2.7 million, which is a decrease of \$0.4 million from prior year.

In the General Fund, our principal operating fund, the fund balance decreased from \$2.7 million to \$2.4 million. There was an increase of \$119/ pupil in the State foundation allowance and an enrollment decrease of approximately 100 students. Increased expenditures are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

Our Food Service Fund decreased by approximately \$70,000 due primarily to increased food costs and the drop in student enrollment.

Combined, the Debt Service Funds showed a balance decrease of approximately \$30,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds balances are reserved since they can only be used to pay debt service obligations.

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts, compared with amounts actually paid and received, is provided in required supplementary information of these financial statements.

Several changes were made to the originally adopted 2007-2008 General Fund Budget. State revenues decreased to account for student loss, Federal revenues increased due greater funding from Title I. Overall expenditures decreased due to adjustments and changes in estimates for salaries and benefits, costs of supplies and purchased services, and other expenses in the operating plan of the School District.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the School District had \$9.3 million invested in a broad range of capital assets, including buildings and improvements, buses, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.3 million from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 15,009	\$ 15,009
Construction in progress	0	6,083
Building and building improvements	13,345,972	13,324,310
Buses and other vehicles	1,118,354	1,133,252
Furniture and equipment	<u>1,257,813</u>	<u>1,228,309</u>
Total capital assets	\$ <u>15,737,147</u>	\$ <u>15,706,962</u>

This year's additions of \$75,000 included a pavilion, JR/SR High School clocks, copier, baseball press box, and a used bus and van.

We present more detailed information about our capital assets in the notes to the financial statements.

Maple Valley Schools
Management's Discussion and Analysis
June 30, 2008

Debt

At the end of this year, the School District had \$6.3 million in bonds outstanding versus \$6.6 million in the previous year -- a change of \$295,000. Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation and Durant Bonds	\$ <u>6,285,043</u>	\$ <u>6,580,043</u>

The School District's general obligation bond rating is AAA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent of the February 2008 and 75 percent of the September 2008 student counts. The 2008-09 budget was adopted in June 2008 based on an estimated blended student count of 1,548. Approximately 90 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State has passed a State Aid Bill for 2008-09. The School District projected a \$100 per pupil increase in the foundation allowance, but the actual is \$112 to date. This could change in the form of a pro-rata due to the State's economic condition. It will be dependant on how close the State revenues are to projections.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at 11090 Nashville Highway, Vermontville, Michigan 49096.

BASIC FINANCIAL STATEMENTS

Maple Valley Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash	\$ 860,868
Taxes receivable	9,987
Accounts receivable	22,608
Due from other governmental units	2,308,583
Inventory	21,772
Investments	838,888
Prepaid items	40,464
Other assets	370,079
Capital assets not being depreciated	15,009
Capital assets - net of accumulated depreciation	<u>9,320,317</u>
 Total assets	 <u>13,808,475</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	498,441
Due to other governmental units	35,836
Payroll deductions and withholdings	69,342
Accrued expenditures	63,829
Accrued salaries payable	759,829
Deferred revenue	53,781
Noncurrent liabilities	
Due within one year	335,378
Due in more than one year	<u>6,262,389</u>
Total liabilities	<u>8,078,825</u>
Net Assets	
Invested in capital assets, net of related debt	3,350,752
Restricted for:	
Debt service	204,776
Unrestricted	<u>2,174,122</u>
Total net assets	<u>\$ 5,729,650</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 8,432,426	\$ 23,771	\$ 1,648,266	\$ -	\$ (6,760,389)
Supporting services	4,759,869	1,228	239,573	20,330	(4,498,738)
Food services	665,665	235,459	411,163	-	(19,043)
Athletic activities	331,012	77,275	860	-	(252,877)
Community services	69,201	4,177	-	-	(65,024)
Interest on long-term debt	257,947	-	-	-	(257,947)
Depreciation - unallocated	413,812	-	-	-	(413,812)
Total governmental activities	<u>\$ 14,929,932</u>	<u>\$ 341,910</u>	<u>\$ 2,299,862</u>	<u>\$ 20,330</u>	<u>(12,267,830)</u>
General revenues					
Property taxes, levied for general purposes					557,400
Property taxes, levied for debt service					519,908
State aid - unrestricted					10,513,674
Interest and investment earnings					61,726
Gain on sale of capital assets					1,500
Other					<u>46,156</u>
Total general revenues					<u>11,700,364</u>
Change in net assets					(567,466)
Net assets - beginning					<u>6,297,116</u>
Net assets - ending					<u>\$ 5,729,650</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 734,826	\$ 126,042	\$ 860,868
Accounts receivable	22,508	-	22,508
Due from other funds	57,095	1,880	58,975
Due from other governmental units	2,299,427	9,156	2,308,583
Inventory	-	21,772	21,772
Investments	655,175	183,713	838,888
Prepaid items	37,385	3,079	40,464
Total assets	\$ 3,806,416	\$ 345,642	\$ 4,152,058
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 488,335	\$ 10,106	\$ 498,441
Due to other funds	1,880	57,095	58,975
Due to other governmental units	35,828	8	35,835
Payroll deductions and withholdings	68,272	1,070	69,342
Accrued salaries payable	741,140	10,689	759,829
Deferred revenue	53,781	-	53,781
Total liabilities	1,389,236	86,968	1,476,204
Fund Balance			
Reserved for inventory	-	21,772	21,772
Reserved for prepaid items	37,385	3,079	40,464
Reserved for debt service	-	204,776	204,776
Designated for unexpended allocations	111,733	-	111,733
Designated for capital acquisitions	37,000	-	37,000
Other undesignated	2,231,062	29,047	2,260,109
Total fund balance	2,417,180	258,674	2,675,854
Total liabilities and fund balance	\$ 3,806,416	\$ 345,642	\$ 4,152,058

See Accompanying Notes to Financial Statements

Maple Valley Schools
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008

Total fund balances for governmental funds	\$ 2,675,854
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	9,987
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	15,009
Capital assets - net of accumulated depreciation	9,320,317
Other long-term assets are not deferred in the governmental funds.	370,079
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(63,829)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(243,114)
Bonds payable	(6,313,459)
Other loans payable and liabilities	<u>(41,194)</u>
Net assets of governmental activities	<u>\$ 5,729,650</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 683,651	\$ 845,196	\$ 1,528,847
State sources	11,491,953	53,464	11,545,417
Federal sources	502,503	357,699	860,202
Interdistrict sources	428,845	-	428,845
 Total revenues	 <u>13,106,952</u>	 <u>1,256,359</u>	 <u>14,363,311</u>
Expenditures			
Current			
Education			
Instruction	8,347,421	-	8,347,421
Supporting services	4,709,179	-	4,709,179
Food services	-	665,665	665,665
Athletic activities	-	331,012	331,012
Community services	69,201	-	69,201
Capital outlay	65,549	3,737	69,286
Debt service			
Principal	12,171	295,000	307,171
Interest	-	262,670	262,670
 Total expenditures	 <u>13,203,521</u>	 <u>1,558,084</u>	 <u>14,761,605</u>
 Excess (deficiency) of revenues over expenditures	 <u>(96,569)</u>	 <u>(301,725)</u>	 <u>(398,294)</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Capital lease proceeds	11,866	-	11,866
Proceeds from sale of capital assets	1,500	-	1,500
Transfers in	53,402	255,626	309,028
Transfers out	<u>(255,626)</u>	<u>(53,402)</u>	<u>(309,028)</u>
Total other financing sources (uses)	<u>(188,858)</u>	<u>202,224</u>	<u>13,366</u>
Net change in fund balance	(285,427)	(99,501)	(384,928)
Fund balance - beginning	<u>2,702,607</u>	<u>358,175</u>	<u>3,060,782</u>
Fund balance - ending	<u>\$ 2,417,180</u>	<u>\$ 258,674</u>	<u>\$ 2,675,854</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ (384,928)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(2,345)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(413,812)
Capital outlay	69,286
Expenses are recorded when incurred in the statement of activities.	
Interest	2,829
Compensated absences	(111,022)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Capital lease obligation	(11,866)
Repayments of long-term debt	307,171
Amortization of premiums	1,894
Amortization bond issuance costs	<u>(24,673)</u>
Change in net assets of governmental activities	\$ <u>(567,466)</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2008

	Student Activities <u>Agency Funds</u>
Assets	
Cash	\$ 127,807
Investments	<u>45,000</u>
 Total assets	 <u>\$ 172,807</u>
 Liabilities	
Accounts payable	\$ 7,668
Due to other funds	9,479
Due to agency fund activities	<u>155,660</u>
 Total liabilities	 <u>\$ 172,807</u>

See Accompanying Notes to Financial Statements

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Maple Valley Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

General Fund	
Nonhomestead	18.00000
Debt Service Funds	
Homestead and Nonhomestead	2.90000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 64% of the School District's tax roll lies within the Townships of Vermontville and Castleton.

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

The property tax levy runs from July 1 to June 30. Property taxes become a lien as of December 1 and are due upon receipt of the billing by the taxpayer. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Eaton and Barry and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick and vacation leave balances. The liability has

been calculated using the vesting method, which is based on employees who are currently eligible to receive termination payments.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 6,391,213	\$ 6,406,707	\$ 15,494
Instructional staff	263,852	292,692	28,840
Operations and maintenance	1,365,771	1,397,806	32,035
Pupil transportation services	938,730	978,466	38,726
Community services	64,619	69,201	4,582
Capital outlay	58,700	66,549	6,849
Transfers out	246,840	256,626	8,986

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 860,868	\$ 127,807	\$ 988,675
Investments	838,888	46,000	883,888
	<u>\$ 1,699,756</u>	<u>\$ 172,807</u>	<u>\$ 1,872,563</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,033,210
Investments in securities, mutual funds, and similar vehicles	838,888
Petty cash and cash on hand	465
Total	<u>\$ 1,872,563</u>

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MBIA Municipal Investors Service Corporation				
Michigan CLASS	\$ 136,835	30 Days Avg.	AAA-V1	Fitch
Michigan Liquid Asset Fund	642,353	3 Mos Avg.	AAAm	Standard and Poor's
	<u>\$ 838,888</u>			

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District's investment policy does not allow for an investment in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 1,187,892 of the District's bank balance of \$ 1,443,117 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the above investments of \$ 838,888, the District has custodial credit risk exposure of \$ 642,353 because the related investments are uncollateralized and uninsured.

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 15,009	\$ -	\$ -	\$ 15,009
Construction in progress	8,993	-	8,993	-
Total capital assets not being depreciated	24,002	-	8,993	15,009
Capital assets being depreciated:				
Buildings and additions	13,346,972	21,662	-	13,368,634
Equipment and furniture	1,257,213	39,804	-	1,297,017
Buses and other vehicles	1,118,354	24,293	39,101	1,103,546
Total capital assets being depreciated	15,722,539	85,759	39,101	15,769,207
Less accumulated depreciation for:				
Buildings and additions	4,759,636	280,582	-	5,040,218
Equipment and furniture	706,773	67,436	39,101	735,108
Buses and other vehicles	835,413	82,674	-	918,087
Total accumulated depreciation	6,301,822	430,692	39,101	6,771,415
Net capital assets being depreciated	9,460,717	(344,933)	-	9,115,784
Net capital assets	\$ 34,011	\$ (344,933)	\$ (6,063)	\$ 33,660

Depreciation for the fiscal year ended June 30, 2008 amounted to \$ 430,692. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Food Service Fund	\$ 1,850
Athletic Fund	General Fund	3,671
Food Service Fund	General Fund	53,402
Debt Service Fund	General Fund	22
		<u>\$ 58,975</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the Athletic Fund totaling \$ 255,626. Also, an indirect cost recovery resulted in a transfer from the Food Service Fund to the General Fund totaling \$ 53,402. These Athletic Fund transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ <u>53,781</u>

NOTE 7 - LEASES

Capital Leases

The School District has four capital leases for copier equipment. The future minimum lease payments are as follows:

Year ending June 30,	
2009	\$ 18,564
2010	16,956
2011	13,254
2012	<u>980</u>
Total minimum lease payments	49,754
Less amount representing interest	<u>8,560</u>
Present value of minimum lease payments	<u>\$ 41,194</u>

The assets acquired through capital leases are as follows:

Assets	
Machinery and equipment	\$ 58,883
Less accumulated depreciation	<u>16,133</u>
Total	<u>\$ 42,550</u>

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 5,490,000	\$ -	\$ 295,000	\$ 5,165,000	\$ 310,000
Other bonds	120,043	-	-	120,043	11,314
Capital lease	41,499	31,896	12,371	41,194	14,054
Compensated absences	132,092	111,022	-	243,114	-
Premium on bonds	30,310	-	1,894	28,416	-
Deferred amount on refunding	(307,389)	-	19,213	(288,186)	-
Deferred issuance costs	(87,353)	-	5,460	(81,893)	-
Total	<u>\$ 6,389,192</u>	<u>\$ 122,896</u>	<u>\$ 333,738</u>	<u>\$ 6,227,689</u>	<u>\$ 335,378</u>

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

General obligation bonds payable at year end, consists of the following:

\$ 6,165,000 serial bond due in annual installments of \$310,000 to \$ 535,000 through May 1, 2023, interest at 3.00% to 4.30% \$ 6,165,000

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2009	\$ 310,000	\$ 250,216	\$ 560,216
2010	320,000	237,816	557,816
2011	335,000	225,015	560,015
2012	345,000	211,615	556,615
2013	360,000	197,815	557,815
2014-2018	2,025,000	761,073	2,786,073
2019-2023	<u>2,470,000</u>	<u>319,483</u>	<u>2,789,483</u>
Total	<u>\$ 6,165,000</u>	<u>\$ 2,203,033</u>	<u>\$ 8,368,033</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 204,776 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$ 120,043 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.75% due annually \$ 120,043

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the

Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142. Future principal and interest requirements are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2009	\$ 11,314	\$ 2,962	\$ 14,276
2010	69,677	26,245	95,922
2011	12,417	1,859	14,276
2012	13,008	1,268	14,276
2013	<u>13,627</u>	<u>849</u>	<u>14,276</u>
Total	<u>\$ 120,043</u>	<u>\$ 32,983</u>	<u>\$ 153,026</u>

Compensated Absences

Accrued compensated absences (including employer payroll taxes) at year end, consists of \$ 243,114 of vacation and personal hours earned and vested and accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$ - and \$262,670, respectively.

NOTE 9 - RISK MANAGEMENT

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. Unemployment compensation expense for the year ended June 30, 2008 was \$ 19,102. No provision has been made for possible future claims.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages

through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72 - 17.74%	16.34-17.74%	14.87-16.34%
Total payroll	7,770,971	7,795,054	7,536,381
Total covered payroll	7,708,798	7,678,360	7,576,511
School contributions	1,305,194	1,338,526	1,213,821
Employee MIP contributions	211,780	206,042	202,981
Tax deferred payment program	44,233	58,413	55,732
Portion of school contribution covering health, dental and vision benefits	39%	37%	40%

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPERS).

Maple Valley Schools
Notes to Financial Statements
June 30, 2008

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Maple Valley Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 710,332	\$ 668,993	\$ 683,651	\$ 14,658
State sources	11,685,913	11,503,665	11,491,953	(11,712)
Federal sources	478,393	518,799	502,503	(16,296)
Interdistrict sources	480,941	444,829	428,845	(15,984)
Total revenues	13,355,579	13,136,286	13,106,952	(29,334)
Expenditures				
Instruction				
Basic programs	6,600,911	6,391,213	6,406,707	15,494
Added needs	2,001,116	1,945,673	1,917,473	(28,200)
Adult and continuing education	36,813	23,271	23,241	(30)
Supporting services				
Pupil	310,235	411,504	406,038	(5,466)
Instructional staff	230,336	263,852	292,692	28,840
General administration	427,997	384,528	371,338	(13,190)
School administration	848,335	811,437	800,217	(11,220)
Business	256,713	248,573	246,653	(1,920)
Operations and maintenance	1,326,315	1,365,771	1,397,806	32,035
Pupil transportation services	1,005,510	939,730	978,456	38,726
Central	193,676	215,767	215,979	212
Community services	30,324	64,619	69,201	4,582
Capital outlay	89,571	58,700	65,549	6,849
Debt service				
Principal	-	12,171	12,171	-
Total expenditures	13,357,852	13,136,809	13,203,521	66,712
Excess (deficiency) of revenues over expenditures	(2,273)	(523)	(96,569)	(96,046)

Maple Valley Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	11,866	11,866
Proceeds from sale of capital assets	-	1,500	1,500	-
Transfers in	50,291	53,670	53,402	(268)
Transfers out	(251,150)	(246,640)	(255,625)	(8,986)
Total other financing sources (uses)	(200,859)	(191,470)	(188,858)	2,612
Net change in fund balance	(203,132)	(191,993)	(285,427)	(93,434)
Fund balance - beginning	2,702,607	2,702,607	2,702,607	-
Fund balance - ending	\$ 2,499,475	\$ 2,510,614	\$ 2,417,180	\$ (93,434)

OTHER SUPPLEMENTAL INFORMATION

Maple Valley Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1997 Bond Issue</u>	
Assets				
Cash	\$ 16,941	\$ 15,241	\$ 93,860	\$ 126,042
Due from other funds	1,880	-	-	1,880
Due from other governmental units	9,043	-	113	9,156
Inventory	21,772	-	-	21,772
Investments	72,880	-	110,833	183,713
Prepaid items	3,079	-	-	3,079
Total assets	<u>\$ 125,595</u>	<u>\$ 15,241</u>	<u>\$ 204,806</u>	<u>\$ 345,642</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 6,975	\$ 3,131	\$ -	\$ 10,106
Due to other funds	53,402	3,671	22	57,095
Due to other governmental units	-	-	8	8
Payroll deductions and withholdings	597	473	-	1,070
Accrued salaries payable	10,723	7,966	-	18,689
Total liabilities	<u>71,697</u>	<u>15,241</u>	<u>30</u>	<u>86,968</u>

Maple Valley Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1997 Bond Issue</u>	
Fund Balance				
Reserved for inventory	21,772	-	-	21,772
Reserved for prepaid items	3,079	-	-	3,079
Reserved for debt service	-	-	204,776	204,776
Other undesignated	<u>29,047</u>	<u>-</u>	<u>-</u>	<u>29,047</u>
Total fund balance	<u>53,898</u>	<u>-</u>	<u>204,776</u>	<u>258,674</u>
Total liabilities and fund balance	<u>\$ 125,595</u>	<u>\$ 15,241</u>	<u>\$ 204,806</u>	<u>\$ 345,642</u>

Maple Valley Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1997 Bond Issue</u>	
Revenues				
Local sources	\$ 238,197	\$ 79,123	\$ 527,876	\$ 845,196
State sources	53,464	-	-	53,464
Federal sources	357,699	-	-	357,699
Total revenues	<u>649,360</u>	<u>79,123</u>	<u>527,876</u>	<u>1,256,359</u>
Expenditures				
Current				
Education				
Food services	665,665	-	-	665,665
Athletic activities	-	331,012	-	331,012
Capital outlay	-	3,737	-	3,737
Debt service				
Principal	-	-	295,000	295,000
Interest	-	-	262,670	262,670
Total expenditures	<u>665,665</u>	<u>334,749</u>	<u>557,670</u>	<u>1,558,084</u>
Excess (deficiency) of revenues over expenditures	<u>(16,305)</u>	<u>(255,626)</u>	<u>(29,794)</u>	<u>(301,725)</u>

Maple Valley Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1997 Bond Issue</u>	
Other Financing Sources (Uses)				
Transfers in	-	255,626	-	255,626
Transfers out	<u>(53,402)</u>	<u>-</u>	<u>-</u>	<u>(53,402)</u>
Total other financing sources (uses)	<u>(53,402)</u>	<u>255,626</u>	<u>-</u>	<u>202,224</u>
Net change in fund balance	(69,707)	-	(29,794)	(99,501)
Fund balance - beginning	<u>123,605</u>	<u>-</u>	<u>234,570</u>	<u>358,175</u>
Fund balance - ending	<u>\$ 53,898</u>	<u>\$ -</u>	<u>\$ 204,776</u>	<u>\$ 258,674</u>

Maple Valley Schools

Vermontville, Michigan

Single Audit Report

June 30, 2008

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Members of the Board of Education
Maple Valley Schools
Vermontville, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Maple Valley Schools as of and for the year ended June 30, 2008, which collectively comprise Maple Valley Schools' basic financial statements and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Maple Valley Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maple Valley Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Maple Valley Schools in a separate letter dated October 27, 2008.

This report is intended solely for the information and use of the management, the Board of Education, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
October 27, 2008



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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Maple Valley Schools
Vermontville, Michigan

Compliance

We have audited the compliance of Maple Valley Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2008. Maple Valley Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Maple Valley Schools' management. Our responsibility is to express an opinion on Maple Valley Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maple Valley Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maple Valley Schools' compliance with those requirements.

In our opinion, Maple Valley Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of Maple Valley Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Maple Valley Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maple Valley Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Maple Valley Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Maple Valley Schools' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Board of Education, others within the entity, the Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
October 27, 2008

Maple Valley Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued/Deferred Revenue 06/30/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued/Deferred Revenue 06/30/08
U.S. Department of Agriculture								
Nutrition Cluster								
* National School Lunch								
07-1950 Section 4 - All lunches	10.555	\$ 39,070	\$ 62	\$ 33,842	\$ 4,228	\$ 4,290	\$ -	\$ -
08-1950 Section 4 - All lunches	10.555	31,582	-	-	33,770	31,582	-	2,188
07-1980 Section 11 - Free	10.555	190,686	204	167,458	23,528	23,732	-	-
08-1980 Section 11 - Free	10.555	170,180	-	-	171,102	170,180	-	922
		<u>430,818</u>	<u>266</u>	<u>201,300</u>	<u>232,628</u>	<u>229,784</u>	<u>-</u>	<u>3,110</u>
* National Breakfast Program								
07-1970 Breakfast	10.553	85,146	554	76,880	8,167	8,721	-	-
08-1970 Breakfast	10.553	77,809	-	-	79,592	77,809	-	1,783
		<u>162,955</u>	<u>554</u>	<u>76,880</u>	<u>87,720</u>	<u>86,530</u>	<u>-</u>	<u>1,783</u>
Total nutrition cluster		<u>593,773</u>	<u>820</u>	<u>278,280</u>	<u>320,357</u>	<u>316,314</u>	<u>-</u>	<u>4,893</u>
* Food Distributed								
Commodities-entitlement	10.550	34,382	-	-	36,840	36,840	-	-
Commodities-bonus	10.550	503	-	-	503	503	-	-
		<u>34,885</u>	<u>-</u>	<u>-</u>	<u>37,343</u>	<u>37,343</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>628,658</u>	<u>820</u>	<u>278,280</u>	<u>357,700</u>	<u>353,657</u>	<u>-</u>	<u>4,893</u>
U.S. Department of Education								
* Title I - 071530 0607	84.010	283,454	34,090	263,454	-	34,090	-	-
* Title I - 081530 0708	84.010	340,942	-	-	324,621	244,510	-	80,111
		<u>624,396</u>	<u>34,090</u>	<u>263,454</u>	<u>324,621</u>	<u>278,600</u>	<u>-</u>	<u>80,111</u>
** Special Education - 0607	84.027	54,015	4,015	54,015	-	4,015	-	-
** Special Education - 0708	84.027	54,450	-	-	54,450	54,450	-	-
* Service Provider Review 07D446/0607	84.027A	4,000	4,000	4,000	-	4,000	-	-
		<u>112,465</u>	<u>8,015</u>	<u>58,015</u>	<u>54,450</u>	<u>62,465</u>	<u>-</u>	<u>-</u>
* Title V, Part A - 080250/0708	84.298	2,613	-	-	2,613	-	-	2,613
* Title I, Part D - 074290/0507	84.318	2,810	886	2,910	-	886	-	-
* Title I, Part D - 084290/0708	84.318	3,204	-	-	3,204	-	-	3,204
		<u>6,114</u>	<u>886</u>	<u>2,910</u>	<u>3,204</u>	<u>886</u>	<u>-</u>	<u>3,204</u>
* Title II, Part A - 070520/0607	84.367	95,005	16,950	95,005	-	16,950	-	-
* Title II, Part A - 080520/0708	84.367	121,839	-	-	117,614	69,391	-	48,223
		<u>216,844</u>	<u>16,950</u>	<u>95,005</u>	<u>117,614</u>	<u>86,341</u>	<u>-</u>	<u>48,223</u>
Total U.S. Department of Education		<u>862,632</u>	<u>61,941</u>	<u>439,384</u>	<u>502,602</u>	<u>430,292</u>	<u>-</u>	<u>134,151</u>
Total Federal Awards		<u>\$ 1,591,190</u>	<u>\$ 62,781</u>	<u>\$ 717,664</u>	<u>\$ 660,202</u>	<u>\$ 783,949</u>	<u>\$ -</u>	<u>\$ 139,014</u>

* Passed through Michigan Department of Education
** Passed through Eaton Intermediate School District

See Accompanying Notes to Schedule of
Expenditures of Federal Awards

Maple Valley Schools
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2008.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" and on the "Grant Auditors Report" are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Maple Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a)
of Circular A-133? ☐ Yes ☒ No

Maple Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Identification of major programs:

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Maple Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section II – Financial Statement Findings

CURRENT YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2008.

PRIOR YEAR

07-1

Criteria: The Business Manager currently has the ability to access the Schools' entire disbursement cycle, including entering data into the accounts payable system, check writing and signing authority, and performing bank reconciliations. Without proper monitoring, there is a significant deficiency in internal controls over the preparation of the financial statements.

Statement of Condition: The Business Manager currently has access to all modules of the Schools' accounting software giving him the ability to write checks and post journal entries. Also, the Business Manager performs the bank reconciliations which, once completed, are not reviewed by another individual. These issues allow the Business Manager the ability, whether fraudulently or by error, to misstate the financial statements. In our opinion, this represents a significant deficiency in internal controls over financial reporting.

Effect of Condition: Due to lack of monitoring, the Schools' financial data and statements could be misstated at any given point, whether by fraud or error.

Cause of Condition: The size of the School's staff is limited by the resources necessary to properly segregate all duties. This results in the need for the Business Manager to have access to all areas of the Schools' software system.

Maple Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Recommendation: The Schools' should consider implementing additional monitoring procedures. We recommend that within the bank reconciliation process, the Superintendent open the bank statements and scan cancelled checks and other transactions for any unusual or improper items. Furthermore, we recommend that the reconciliations prepared by the Business Manager are reviewed and approved by an appropriate member of management.

Auditee's Response: Due to the lack of sufficient staff in the business office, current staff must perform multiple tasks across a variety of functions. Sometimes this leads to insufficient controls and in particular over the preparation of the financial statements.

This issue is being reviewed by the Board of Education and the district is searching for remedies. However, it will be difficult to meet all of the recommendations, as the District is facing serious financial difficulties and may have to reduce the business office workforce even more.

The District will seriously consider implementing the recommendation for having the District's Superintendent involved with the bank reconciliation process such as opening the bank statements and scanning cancelled checks and other transactions for unusual or improper items.

Maple Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section III – Federal Awards Findings and Questioned Costs

CURRENT YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2008.

PRIOR YEAR

07-2

See finding 07-1.



W YEO & YEO
CPAs & Business Consultants

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October 27, 2008

Management and the Board of Education of
Maple Valley Schools

Dear Management and Board of Education:

We have completed our audit of the financial statements of Maple Valley Schools as of and for the year ended June 30, 2008 and have issued our report dated October 27, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel and management in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Lansing, Michigan

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated June 23, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on June 23, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the performance of our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

An adjustment made was to record a liability to the State and decrease unrestricted revenue from the State by \$ 13,847. Tax revenues received from a

local taxing authority were paid to the District based upon taxable values that had been updated from the numbers reported to the State. The original non-homestead amount reported to the State for Maple Grove was approximately \$3.146 million. The update number from the township (which was used in calculating payments to the District) was approximately \$3.414 million. These updated numbers were not supplied to the State by the taxing authority. Because State Aid payments received by the District were based on the lower non-homestead amounts, State Aid payments were higher than required. In essence, the State was paying an increased Foundation amount to cover a decrease in revenues from taxes. This resulted in a payable due to the State to reimburse the overpayment of the State Aid Foundation.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Appendix II

Management Comments

In planning and performing our audit of the financial statements of Maple Valley Schools as of and for the year ended June 30, 2008, we considered Maple Valley Schools internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated October 27, 2008, on the financial statements of Maple Valley Schools. Our comments and recommendations regarding those matters are:

Monitoring

While performing our inquiries and tests of the disbursements system, we noted that while the department heads review expense detail of those expenses charged to their departments, there is no documentation of the actual review. Without documentation of this review, there is no support that the review is actually occurring. We recommend that the department heads continue their review of departmental charges, and approve, at least quarterly, a listing of these charges.

Uninsured Cash Balances

Given the current environment in the banking industry, we recommend the District evaluate its uninsured cash balances. The Federal Deposit Insurance Corporation (FDIC) has increased its insurance limits up to \$250,000 per financial institution, effective October 3, 2008 through December 31, 2009. In addition to FDIC insurance, there are additional options available to the District for deposits above \$250,000 which can reduce the risk related to uninsured cash balances. We suggest contacting your investment advisor, current financial institution, or similar individual(s) to discuss available options.